

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6605

BILL NUMBER: HB 1067

NOTE PREPARED: May 3, 2007

BILL AMENDED: Apr 26, 2007

SUBJECT: Pension Issues.

FIRST AUTHOR: Rep. Crooks

FIRST SPONSOR: Sen. Kruse

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill: (1) allows a member of the Teachers' Retirement Fund (TRF) who is receiving a benefit from TRF and who is a party in an action for dissolution of marriage in which: (A) the member's designated beneficiary is also a party; and (B) a final order is issued after the member's first benefit payment is made; to elect under certain conditions to change the member's designated beneficiary or form of benefit;

(2) requires the Public Employees' Retirement Fund (PERF) and TRF, in the capacity of shareholders, to: (A) request that companies with certain business activities in Sudan cease those business activities; and (B) for a company that is unresponsive to a request, sell or divest all publicly traded securities held by PERF or TRF in that company;

(3) requires that PERF and TRF report their Sudan-related activities to the General Assembly;

(4) excludes private equity funds held by PERF and TRF from the divestment requirement;

(5) provides for: (A) civil immunity for any act or omission; and (B) indemnification for costs or expenses, including reasonable attorney fees, associated with a claim or lawsuit; related to divestment; and

(6) assigns to the Pension Management Oversight Commission (PMOC) the study of TRF's structure.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The bill has the following impact on expenditures.

(1) There will be a \$250 charge that is to be paid by the member for the Fund actuary to recalculate the benefit. Benefits will be recalculated only to the extent permitted by the Internal Revenue Code and applicable regulations. Also, the TRF Board of Trustees may obtain any approvals that the Board considers necessary or appropriate from the Internal Revenue Service. In addition, there will be an administrative cost of a minimal amount to the Fund. The fund affected is the Administrative Fund.

(2-5) Both the TRF and PERF have estimated their costs associated with the implementation of this proposal. The TRF has estimated their annual cost at \$1.5 M. PERF has estimated its initial out-of-pocket costs for divestiture between \$700,000 and \$1.2 M.

(6) There will be no fiscal impact for the assigning to PMOC the study of TRF's structure.

Explanation of State Revenues: (2-5) This bill could affect fund revenues to the extent that PERF and TRF sell investments in companies that have business activities in Sudan at a different price than they would have sold them otherwise. Fund revenues could also be affected if PERF or TRF reinvest the money taken out of Sudan investments, and the reinvestments bring in more or less revenue than was yielded by the Sudan investments. The amount of this possible effect is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund; Legislative Services Agency; Public Employees' Retirement Fund.

Local Agencies Affected:

Information Sources: Tom Abbett, Controller, Teachers' Retirement Fund, 317-232-3826; Bob Newland, Chief Investment Officer for TRF, 317-232-3868; Shawn Wischmeier, Chief Investment Officer for PERF, 317-234-3587. Additional Information in the Office of Fiscal and Management Analysis.

Fiscal Analyst: James Sperlik, 317-232-9866.